

Legislative Fiscal Bureau

Fiscal Note

HF 2539 - Probate, Omnibus (LSB 5150 HV)

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Fiscal Note Version - New

Description

House File 2539 relates to trusts and estates and their relationship to medical assistance benefits, the right to disclaim on behalf of the ward, the creation of total return unitrusts, and providing an effective date.

Assumptions

1. House File 2539 increases the amount of nonexempt resources that a Medicaid recipient can set aside for burial expenses to the average Statewide cost reasonably necessary for a funeral and burial.
2. There are 1,200 applications to nursing facilities and 50.0% are new applications and 50.0% are re-applications.
3. Increasing the burial allowance from \$1,500 to \$7,373 will only affect those in nursing facilities.
4. Under current law, if someone applies for Title XIX and has resources set-aside for burial purposes, they are required to obtain a burial contract before receiving Medicaid eligibility, which usually delays benefits by one month.
5. Under proposed legislation, the burial set-aside will be excluded from resource consideration immediately by informing the DHS. The applicant will not lose a month in eligibility, which occurs under current law.
6. An increase in burial set-aside will add new eligibles one month earlier at a cost of \$2,537 a month in FY 2003 and \$2,791 in FY 2004.
7. The State match will be 36.66%.
8. There are three retained life estate recoveries per month. Of these, one is settled without problem, while two result in court action. Of those two per month that result in court action, one case is generally decided in favor of the DHS and one case is decided against the Department. The Bill will likely allow Estate Recovery to settle on the one case decided against the DHS. The average value of a retained life estate is \$13,000 per month.
9. Section 19 creates a new cause of action (Good Faith Actions) that would potentially result in more cases before the courts. Good faith action would cost approximately \$320 per case. The number of cases that would result in unknown.

Fiscal Impact

The fiscal impact of HF 2539 would result in a net increase in General Fund expenditures of \$6.6 million for FY 2003 and \$7.3 million for FY 2004. Detailed breakdown follows:

	<u>FY 2003</u>		<u>FY 2004</u>	
Burial Allowances (Section 2)				
State Share	\$ 6.7	million	\$ 7.4	million
Federal Share	11.6	million	12.6	million
Total Increased Expenditures	\$18.3	million	\$20.0	million
Retained Life Estates (Sections 1 & 3)				
State Share	\$ 0.059	million	\$ 0.059	million
Federal Share	0.101	million	0.101	million

Total Recoveries	<u>\$ 0.160 million</u>	<u>\$ 0.160 million</u>
Good Faith Actions (Section 19)	<u>unknown</u>	<u>unknown</u>
Net Increase in Expenditures	<u>\$18.1 million</u>	<u>\$19.4 million</u>

Sources

Department of Human Services
Judicial Branch

/s/ Dennis C Prouty

March 12, 2002

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
